Ian Springsteel
Director, Regulatory Strategy
U.S. Regulation and Pricing

Aug. 15, 2011

Mark Sylvia
Commissioner
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston MA 02114

Dear Commissioner Sylvia:

On August 2, 2011, the Massachusetts Department of Energy Resources issued notice of a new schedule of alternative compliance payments ("ACPs") for solar renewable energy certificates ("SRECs") under the Solar Carve-out of the Commonwealth's Renewable Portfolio Standard ("RPS"). The notice sought comments on the new 10 year schedule of ACPs, and the process going forward of setting a new price for the ACP 10 years out as each year passes.

Massachusetts Electric Co. and Nantucket Electric Co. d/b/a National Grid, ("National Grid" or the "Company") offer the following comments on the proposed schedule and process. National Grid, on behalf of its customers, has a keen interest in the SREC Carve-out Program, as well as the value of ACP payments that can be required to be paid by the Company and included in the cost of electricity. The Company supports the Patrick Administration's visionary goal of developing 400 MW of solar installations in the state, and growing the solar-related business and employment base in the state. In support of these goals, the Company has committed to installing and owning at least 5 MW of solar PV, and is an active participant in providing net metered electric service to hundreds of customers with solar PV installations at homes and businesses in its service territory, in addition to purchasing SRECs as required under the RPS.

National Grid generally supports the proposed forward schedule of ACP payments going out 10 years. Doing so creates a known maximum value for SRECs in each of the included years. One of the stated goals of DOER in setting this schedule is to aid developers and their financial backers to better understand the range of value SRECs will have, and thus assist them in coming to agreements to finance new projects. Providing a known price cap will lessen maximum price uncertainty and should help to make long term financing arrangements marginally easier to secure.

In addition, the Company supports the declination rate from 2014 to 2021 of 5% per year in the price cap. While declines in installed costs will likely be greater and lesser than 5% in any given year, National Grid supports this policy to limit the overall cost to customers in periods when there is a shortage of SRECs. In such periods, the spot market price of SRECs rises to near the level of the ACP, in addition to the Company's payment of the actual ACPs for SRECs it is unable to purchase. In the 2010 compliance year, for example, National Grid paid more than $4 million to

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the Massachusetts Clean Energy Technology Center in ACPs for the 91% of SRECs it could not purchase in the market.

However, the Company believes DOER and the Commonwealth could go further to both limit the cost to customers and spur more development of solar PV in the state. The ACP level of $550 for 2011, and now proposed for 2012 and 2013, provides a potential level of payment to successful developers of solar that far exceeds the levelized cost of the output of such systems at recent installed costs. Moreover, if the shortage of SRECs continues into future years, these solar array owners will enjoy additional windfall payments in those periods as well. To limit these potentially high near-term costs, the Company would encourage DOER to propose reductions in the ACP at the maximum 10% per year in 2012 and 2013, then continue with the proposed 5% reductions in each year following, as proposed. Please see Attachment A to this letter with an illustration of this proposed schedule.

The Company also believes that forms of support for solar PV development that lower the risk of return for developers would likely lower near-term annual costs, reduce the potential for windfall profits to speculative developers, and better align the payment for such systems with their useful life and benefits. One such form of support is through long-term contracts for SRECs and energy from such systems. While the Commonwealth's distribution companies are currently required to contract long term for renewable energy under Section 83 of the Green Communities Act, this provision provides no specific support to the output of solar arrays, which has a distinctly different value due to the SREC program. As such, the Company would welcome developing a voluntary program under the authority of Section 83 to support the Commonwealth's solar goals through long-term contracts between distribution companies and developers.

Second, utility ownership of solar, as allowed under Section 58 of the Green Communities Act, provides an alternative form of development and ownership of such systems. By owning such arrays as regulated assets, solar can be developed in the Commonwealth at a reasonable, transparent cost and paid for at a fixed, regulated rate of return. This option provides an additional channel for development of solar facilities. National Grid will continue to pursue this objective in compliance with Green Communities with the goal of increasing solar development at a lower cost for our customers.

National Grid respectfully submits these comments to encourage DOER to alter the ACP schedule as herein proposed to further protect customers from excessive payments of ACPs in times of SREC shortage, as at present. Further, the Company encourages the Commonwealth to explore additional steps to encourage lower-risk, lower-cost forms of support for solar PV development that will in the end benefit electric customers and the Commonwealth as whole.

Sincerely,

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Attachment A :

National Grid's Proposed Forward Schedule of the Solar Carve-Out
Alternative Compliance Payment (ACP) Rate
Under RPS Program 225 CMR 14.00

10-year Forward Schedule

Compliance Year	DOER Proposed ACP Rate per MWh	NG Proposed ACP Rate per MWh
2012	$550	$495
2013	$550	$445
2014	$523	$423
2015	$496	$402
2016	$472	$382
2017	$448	$363
2018	$426	$345
2019	$404	$327
2020	$384	$311
2021	$365	$295
2022 and after	added no later than January 31, 2012 (and annually thereafter) following stakeholder review	

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